

PERSpectives

Third Quarter 2001

Public Employee Retirement System of Idaho

A Message from your Retirement Board Chairman

Poor investment climate means no PERSI Gain Sharing in January 2002

Gain Sharing for 2001 was well timed, allowing members and employers to share \$155 million

Retirement Board
Chairman
Jody B. Olson



If you've followed the investment world lately, you've probably guessed that PERSI investments did not fare so well last year. The PERSI fund had investment returns of -6.08% for Fiscal Year 2001 (year ended June 30, 2001), which means there will be no PERSI Gain Sharing in 2002. Retirees will NOT receive a 13th Check in January, active members will NOT receive a deposit into their Choice Plan accounts, and employers will NOT receive a PERSI credit.

We timed the first Gain Sharing payments perfectly. If Gain Sharing hadn't occurred last January, we might not have received any distributions until, at least, January 2003. As it was, PERSI employers, retirees and active members received over \$155 million dollars in 2001.

Although our negative investment returns may sound disastrous to some, rest assured that your PERSI Base Plan benefits are secure and guaranteed, and all in all, PERSI's portfolio performed quite well last year compared to many investments. We controlled the downside leaving more assets to grow when the market recovers. See the summary of last year's portfolio activity by PERSI's Chief Investment Officer, Bob Maynard. ♦

PERSI Portfolio down, but outperforms markets

By Bob Maynard, Chief Investment Officer

After one of the best almost decade-long runs in history, the world equity markets had one of their worst years in history. US stock markets were down 15% for the fiscal year, their worst single fiscal year performance since 1970. International equity markets were down 26%, their worst fiscal year performance since 1974.

The PERSI fund was also down for the year, but ended the year only -6.08%. This is PERSI's worst annual performance since 1973 and 1974 (when PERSI's returns were -6.8% and -16.0%, respectively). The value of the fund as of June 30, 2001 was \$6,726,758,246, a decrease of \$512 million during the fiscal year (\$441 million due to the markets, and \$70 million due to negative cash flow because of gain sharing). Before actuarial gains and losses, this puts our funding level at about 99%.

It could, and should, have been worse. Given our basic asset allocation of 55% US equities, 15% international equities, and 30% fixed income, we should have expected to be down around -8.9%. Instead, our losses of 6.1% were almost 3% better than we should have expected, or about \$200 million "saved."

PERSI's US equities lost only 12.7%, compared to the general US stock market loss of 15.3% — an outperformance of 2.6%. PERSI's international equities lost 22.9%, compared to the general international equity loss of 25.8% — an outperformance of 2.9%. PERSI's fixed income gained 12.2% compared to the US

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fixed income market's general gain of 11.4% — an outperformance of .8%. And, the best performer for the year, PERSI's global equities lost only 7.6% compared to the general losses in the world equity market of -22.5% — an outperformance of almost 15%.

The past year provided a "stress test" for the overall portfolio and each of its components. We do not try to time the markets. We take as a given the general market environment, and when markets are good we hope to participate fully, and when markets are poor, we hope to "cut off the downside," and suffer less than expected. For most of the 1990's it was clear that we could participate fully in good markets.

One question we had during the 90's was whether the higher-than-expected returns were because of higher-than-expected risk — that the price to be paid for such good performance was a greater-than-market loss when times were bad.

While we believed that the portfolio was structured to avoid such a result, until it was tested we could not be sure. Thus, last year provided the first test of the portfolio, and it came through with "flying colors."

The past year also proved the wisdom of our policy of retaining a reserve. That 13% reserve absorbed nearly the entire decline in the worst equity market in over a quarter century. It looks like the reserve level is at an appropriate level. It almost looks like we predicted this market decline.

As for last year's results, in absolute terms they were ugly, while relatively they were better than expected. The markets generally continued their schizophrenic nature. All in all, it was a year to remember with mixed feelings. We all knew the good times would not go on forever, and they did not. But, given the bad markets, the portfolio reacted much better than I expected, and probably as well as or better than we could have hoped. ♦

Former coach now "at bat" for charities

By Maxine Thomas, Training Specialist

This issue's retiree is Jean Boyles, a former Boise State University (BSU) physical education teacher who now gives her heart to volunteer activities.

How did you get to Boise?

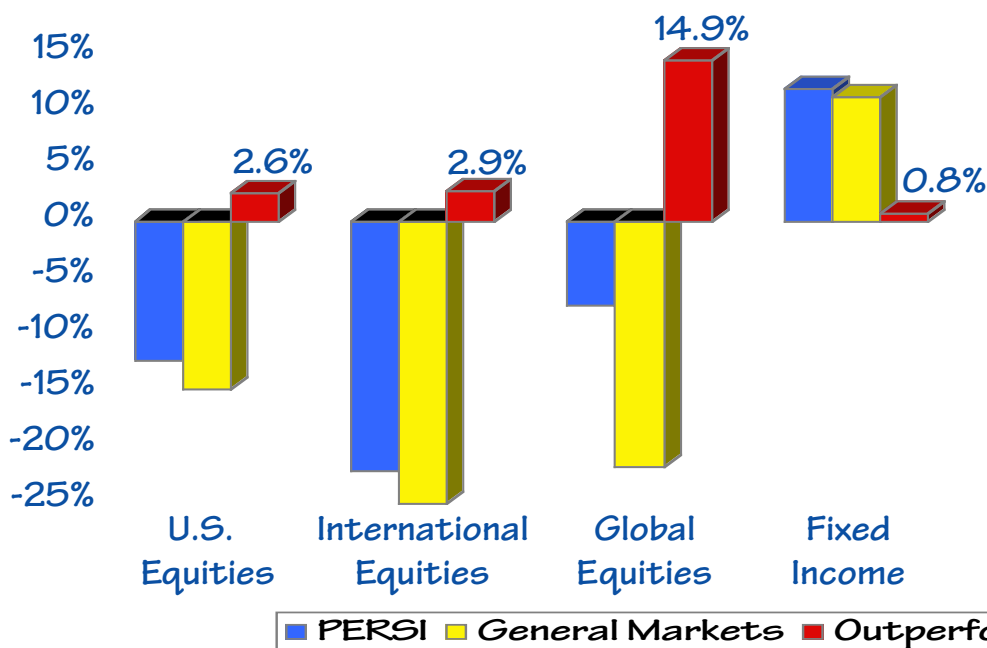
I grew up in San Francisco during WWII and graduated from the University of California Berkeley in three years. Students were encouraged to finish three semesters a year so they could graduate and help with the war effort. I was recruited to BSU by then President Chaffé, and I stayed in Boise my whole career. I retired in 1984

What is your life as a retiree like?

As a retiree I have the luxury of choosing how I spend my time and so I volunteer for causes that I believe in. I am involved with the Snake River Alliance sending out mailings and doing the "grunt" work. We serve as a watchdog group for the interests of

See "Former coach" on back page

PERSI Outperformed Markets & Expectations in Fiscal Year 2001



Last year, PERSI's portfolio outperformed all areas of the general markets, particularly in global equities where we outperformed the market by nearly 15%.

PERSI Gain Sharing funds save jobs and provide firefighters with lifesaving equipment

How employers spent their Gain Sharing savings

When you received your Gain Sharing distribution last winter, PERSI employers received a "holiday" from PERSI contributions. All together, PERSI employers had some \$77 million in Gain Sharing savings to spend as they saw fit.

Employers were responsible for determining for themselves how their funds were spent. PERSI was in no way involved in these decisions. Here's how some employers spent their Gain Sharing:

Twin Falls Times News:

"Twin Falls school officials cut ten certified positions for the school year 2001-2002. But it could have been worse. The original number to be cut was 15. **"Extra money earned by investments in the Public Employee Retirement System of Idaho saved five jobs, said Bob Seaman, the district's business manager.** Two teaching positions, two classified and one-half

administrative position, which amounted to \$210,000 were kept."

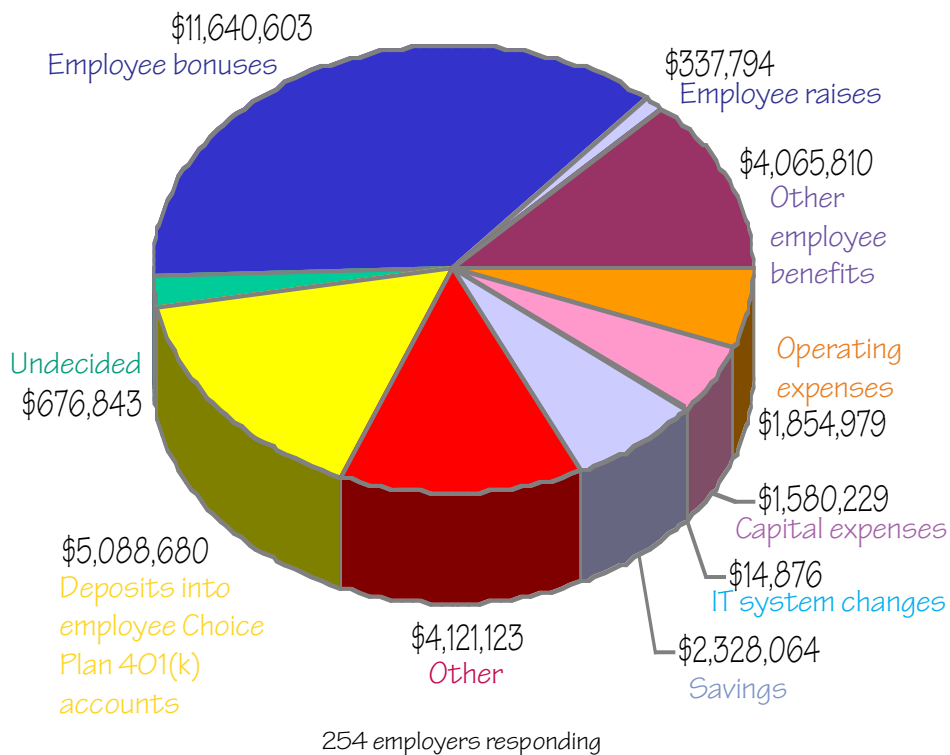
Idaho Falls Post Register:

"The Idaho Falls Fire Department recently picked up some cutting-edge new equipment that's proven to be a lifesaver. **With funding from the Public Employee Retirement System of Idaho to cover the \$57,500 price tag, the department unwrapped five new thermal imaging devices two weeks ago.** 'It's a fantastic new technology,' Idaho Falls Fire Chief Robert Drake said last week. 'Instead of feeling their way through blind, by using this device a person lying on the floor would stand out. It allows us to

fight the fire quicker by making hot spots and potential roof collapses visible, but the big thing is rescuing human occupants.' Similar equipment is credited with saving a 2-year old girl in Caldwell."

PERSI recently conducted a survey of our 540 non-State agency employer members to determine how they utilized their savings from PERSI Gain Sharing. (One hundred of our employers are state agencies. They were directed to return 80% of their Gain Sharing to the State's general fund, and 20% was to be used for training.) With 254 employers responding, here's how the non-state Gain Sharing savings were spent: ♦

How non-state employers spent their Gain Sharing savings



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PERSpectives

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Former coach now “at bat” for charities continued from page 2

the public in terms of nuclear compliance issues.

I am also a member of the Idaho Memorial Association, a non-profit, non-denominational group that raises consumer awareness about funeral costs and preparing for this eventuality. We provide price survey results and clarify truth in advertising issues. We help grieving families and provide choices to help them make intelligent decisions. We provide community education classes and brochures to nursing homes, hospitals, and the media. We had 55,000 responses from a Dear Abby article. (Call Jean at 208-343-0919 for information.)

Tell us about your family. I have three children. Rene works for the Forest Service near Stanley, Id. Her

children attend school in a one room school house that has 8 students! My daughter Pam lives in Missouri. My son Kent teaches Special Education in North Carolina.

What was your work like at Boise State University? Actually I did a



Jean Boyles (center), a former BSU coach now volunteers for various causes.

lot of playing. That is one of the advantages of working in Physical Education. We really started the Woman's Athletic Association, which has been taken over by the NCAA. Tennis has always been my passion, although I started out as badminton player. *(Although too modest to mention it, Jean was elected to the Girls and Women in Sports Hall of Fame.)*

One of the things I am most proud of is participating in a class action suit that was introduced by Marilyn Schuler and ended in salary compensation equity for women employed by Idaho's Universities.

If you could change one thing about your life or career, what would that be? Nothing. I have had a great life. ◆



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